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WEEKLY ROUNDUP OF WORLD PRODUCTION AND TRADE

WR 16-81

WASHINGTON, April 22--The Foreign Agricultural Service of the U.S. Department of Agriculture today reported the following recent developments in world agriculture and trade:

GRAIN AND FEED

In the MEDITERRANEAN BASIN, severe drought has plagued important agricultural production areas since last fall. A summary of the current situation in the areas of greatest concern is as follows:

MOROCCO'S winter grain crop benefited from recent rains in the important grain producing areas in the north (Fes-Meknes-Gharb Valley). However, an estimated 75-percent decline in 1981 production is still foreseen, prompting an upward revision in calendar 1981 grain import needs to 3.5 million tons. However, given bottlenecks in unloading as well as distribution from port to deficit areas, it is doubtful that total imports during 1981/82 (July/ June) will reach 3.5 million tons. In the past, Morocco has imported about one-third to one-half of its grain imports from the United States, but the U.S. portion has declined in recent years due to aggressive sales of EC wheat with the benefit of discretionary export subsidies.

In SPAIN, total grain production--composed primarily of wheat and barley--is now expected to fall at least a third below the record 1980 harvest of over 18 million tons because of the severe drought considered by many as the worst since 1943. The smaller output will necessitate increased imports of coarse grains, most of which have normally been supplied by the United States and Argentina. The drought has placed a severe strain upon the livestock sector which is being forced to rely increasingly upon imported feeds to compensate for poor pasture conditions. In addition, farmers have shifted the composition of their irrigated crops towards those requiring less water, such as cotton.

In PORTUGAL, grain production is likely to fall some 30 percent below last year's 1.2-million-ton output as a result of the dry weather. Grain production in the southern province of Alentejo--where roughly two-thirds of the total Portuguese grain crop is grown--is expected to fall some 50 percent below the region's harvest last year. The shortfall appears to be concentrated in wheat, oats, rye, and rice, and is expected to trigger additional imports in order to meet the requirements of Portugal's expanding livestock sector. Imports of corn, the bulk of

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which is traditionally supplied by the United States, are also expected to exceed last year's level.

In ITALY, the drought has focused attention on the agriculturally important Po Valley, which normally produces almost 50 percent of the country's wheat, over 60 percent of its corn and almost all of its rice. Although the extent of damage to wheat in the Po Valley is not fully known, conditions during the past several months have thwarted plant development and almost certainly portend a decline in yields. Abundant and steady precipitation will be required to minimize any substantial shortfall of wheat. The drought has severely taxed water availability and appears to be causing farmers to trim back acreage planted to rice this season. Since Italy exports both wheat and rice, possible production shortfalls in these two crops may not have a direct impact on U.S. exports.

YUGOSLAVIA'S winter wheat areas near Belgrade and other low-lying areas along the Danube, Tisa and Sava Rivers have revealed little permanent damage from recent floods. Although the need for replanting in some areas may delay overall crop development, most of the flood damage has apparently been offset by the beneficial impact of the rainfall and subsequent sunny warm weather.

However, much of last fall's corn crop, which Yugoslavian officials continue to estimate at 9.1 million tons, has apparently been damaged by moisture and mycotoxins, rendering part of the crop unfit for milk, poultry or hog production. The poor quality is likely to prompt Yugoslavia to import up to 500,000 tons of corn this marketing year. Most of the corn is likely to be of U.S. origin. This would be the first major purchase of U.S. corn since 1978/79 when a disastrous crop lead to imports of more than 1 million tons.

ARGENTINA'S new economic policies for agricultural exports, announced April 1, include a 30-percent devaluation of the Argentine peso, the establishment of export taxes on various agricultural products and a reduction or elimination of export rebates. The export tax will amount to a 12-percent tax on grains (except rice) and other various agricultural commodities. The tax on wheat, oats, barley, rye, and millet will be phased out gradually by reducing the tax 1 percent a month beginning in May and eliminating the remaining 6 percent on Nov. 1. The tax on corn and sorghum will likewise be lowered 1 percent a month during May 1981-February 1982, with the remaining 2 percent eliminated on March 1, 1982. The export rebate of 10 percent on wheat flour was eliminated and the rebate on rice was lowered from 10 to 7 percent.

The devaluation of the peso is expected to improve the competitiveness of Argentine grains in world markets as well as increase domestic prices received by producers. However, the improved price situation will be partially offset by the export taxes imposed on some products and the loss of rebates on others.

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DAIRY, LIVESTOCK AND POULTRY

The EUROPEAN COMMUNITY (EC) has announced new farm prices for dairy and livestock products as part of its new 1981/82 price package. These increases became effective April 6.

--The target price for fluid milk (the price the producer should receive according to the Commission) has been increased 9 percent, from \$12.12 to \$13.21 per hundredweight. Butter also has been increased 9 percent, from \$1.59 to \$1.73 a pound, as has nonfat dry milk (NFDM), from 66 cents to 72 cents a pound. The butter and NFDM prices are intervention prices (the prices at which intervention agencies are obliged to buy products offered to them).

--The milk coresponsibility levy (producer tax) for 1981/82 has been set at 2.5 percent of the target price under the same conditions as the current basic coresponsibility levy. However, application of a superlevy, which had been proposed by the Commission, was rejected--although the Council will take steps to offset any extra costs which arise if the volume of milk supplied in 1981 increases more than 1 percent over the 1980 level.

--For beef and veal, the guide price (corresponding to the target price for milk) has been increased from 88 to 94 cents a pound (a 7.5-percent increase on a liveweight basis) and will rise to 96 cents on Dec. 7, 1981. The target price for pork has been increased 11 percent, from 86 to 96 cents a pound (slaughterweight basis), and for sheepmeat, 7.5 percent from \$1.88 to \$2.02 a pound (slaughterweight).

--The Council also approved the new import regime for New Zealand butter (94,000 tons this year), and quotas for beef and veal for processing (60,000 tons), frozen beef and veal (50,000 tons) and young bovine cattle (230,000 head).

ENGLAND has waived its restrictions on movement of farm animals and associated precautions imposed in Dorset and Hampshire following confirmation of foot-and-mouth disease on the Isles of Wight and Jersey. Restrictions remain in force only on the Isle of Wight on the infected premises and on premises which had contact with the disease. It appears that the Isle of Wight outbreak was due to wind-borne infection carried from Brittany, where disease outbreaks of the same virus type have been occurring. Meanwhile, an outbreak reportedly has occurred in the Perugia Province of Italy's Umbria region.

The EC announced a supplementary levy on whole chickens from the United States of 15 European Currency Units (ECU's) per 100 kilograms (8 cents a pound) in late March, and raised the levy on egg albumen from the United States and Sweden to 50 ECU's per 100 kilograms (27 cents a pound).

The EC Commission also has issued a regulation affecting export subsidies for poultry meat and eggs so EC exporters will have a better idea of the size refund they can obtain on their shipments. Under the system for the advance fixing of export subsidies, the following countries are now considered as a single destination: Egypt, Iran, Iraq and the countries of the Arabian Peninsula, together with

associated territories. Export refunds also have been decreased by about one cent a pound for whole chickens, one cent for whole turkeys, 2 cents a pound for chicken parts and 1 to 2 cents a pound for turkey parts.

HORTICULTURAL AND TROPICAL PRODUCTS

The INTERNATIONAL SUGAR AGREEMENT'S 15-day average for sugar prices showed the level dipping below 21 cents a pound for the five-day period ending April 15. Following a waiting period of three market days, importing members will be obligated to restrict imports from non-ISA members on April 21. The current U.S. non-member import limitation is 74,384 tons for the remainder of 1981. This should pose little problem since most U.S. purchases are from member countries.

SRI LANKA's tea exports in 1980 totaled only 184,700 tons valued at \$373 million as a result of the country's small harvest last year. This was down from 1979 exports of 187,450 tons valued at \$366 million, and was the lowest export level since 1959. After being the largest source of U.S. tea imports for many years, Sri Lanka is now second in terms of volume to Indonesia. For 1980, Sri Lanka supplied roughly 12,220 tons (valued at \$23 million) of the U. S. total tea imports of 83,820 tons (valued at \$129.9 million). Indonesia's share was 13,910 tons valued at \$20.6 million.

ARGENTINA'S new economic program (announced April 1) is expected to affect horticultural exports. The program includes:

--A 12-percent export tax on preserved vegetables;

--Elimination of the 10-percent export rebate and the application of a 2-percent export tax on frozen and dried vegetables (except dehydrated garlic):

--A reduction in the export rebate from 10 to 7 percent for onions, garlic, fruits and honey; and

--A 30-percent devaluation of the peso, which is expected to increase domestic prices for agricultural commodities with significant export outlets. However, the net benefit to producers will be offset somewhat for those commodities which were subjected to export taxes or which lost the benefit of the previously established export rebates.

In ARGENTINA, dried prune production for 1981 is estimated at 6,000 tons, one-third less than last year's level. November frosts and hailstorms in the main producing province of Mendoza adversely affected this year's crop.

The 1981 raisin crop was unaffected by the poor weather, and is estimated at 5,000 tons, the same amount produced last season.

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The dried fruit sector, which is primarily export oriented, was depressed last year by the exchange rate policy which overvalued the peso and made Argentine exports less competitive in world markets. Consequently, 1980 exports of prunes and raisins dropped to 6,000 and 500 tons, respectively, both down 17 percent from a year ago.

U.S. COCOA BEAN GRINDINGS during the first quarter of 1981 totaled 48,358 tons, 44 percent greater than the unusually low 1980 first quarter grind of 33,478 tons. The larger grind was attributed to manufacturers importing more cocoa beans and grinding domestically, rather than importing large amounts of cocoa products in view of the increase in price ratios for chocolate liquor and cocoa butter. Cocoa bean prices have been declining and the recent sales promotion programs by some manufacturers have stimulated sales of chocolate confectionery products.

OILSEEDS AND PRODUCTS

ARGENTINA has replaced its 10-percent export rebates on sunflowerseed, soybean and other vegetable oils and on soybean meal with an export tax of 12 percent for all oilseeds, except peanuts for food uses for which the rate was set at 2 percent. These actions were taken in conjunction with the latest devaluation of the Argentine peso, which is expected to result in a substantial increase in producer prices of those agricultural commodities with significant export outlets.

In the UNITED STATES, the temporary authorization for additional imports of peanuts has been increased from 200 million to 300 million pounds and the deadline for entry has been extended from June 30 to July 31. The increased import authorization is not expected to interfere with the domestic price support program since the special quota will expire before the new U.S. crop comes on the market.

Peanut imports through mid-April (shelled basis) subject to the quota totaled 127.2 million pounds. Inspection requests through April total 165 million pounds, with the leading suppliers being India (69.8 million pounds), China (54.8 million pounds), Argentina (19.4 million pounds) and the Sudan (13.1 million pounds).

TOBACCO

In INDIA, a strike involving some 20,000 tobacco farmers has disrupted the thriving beedi cigarette industry in the Nippani region. This area of India produces approximately 20,000 tons or 20 percent of the beedi tobacco grown in the country. Currently, the beedi industry in the region is completely paralyzed with farmers still holding about 15,000 tons of tobacco for which they are demanding higher prices.

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INTERNATIONAL WEATHER AND CROP SUMMARY, April 13 - 19, 1981

EUROPE--Precipitation remained mostly below normal over the northern two-thirds of the region, with only a few localized areas of above-normal amounts. Beneficial moisture fell over the Iberian Peninsula, southern Italy and the Balkan Peninsula. Growing conditions in Portugal and northern Spain remained generally good, although subsoil moisture is still in short supply. These light rains must continue for another month to prevent further yield losses. Moisture conditions in southern Spain are only marginal, and winter grains should be in the heading stage of development. Northern Italy is becoming somewhat dry again following a second consecutive rainless week. Subsurface soil moisture is short, and surface moisture is being depleted. Temperatures were near normal in the southwestern countries, above normal in the northwest and below normal in the east. Winter grain growth in Poland was nearly halted by the cold weather.

SOVIET UNION--Above-normal precipitation fell in the important winter grain areas of the southern and eastern Ukraine and northwestern parts of the North Caucasus. The moisture should only slow fieldwork in some places, and it benefited winter wheat, which was reported to be in the boot stage of development. Growth was slowed substantially by cooler weather following the storm, and some new, light snow covered fields in the southwestern Ukraine. Temperatures were too cold for winter grain growth across the northern half of Russia's wheat belt. Spring grain areas in the upper Volga Valley remained snow covered. Fieldwork and sowing of spring grains was reported as far north as the southern Chernozem region.

EASTERN ASIA--In China, rainfall slackened somewhat south of the Yangtze River. However, totals for the week were far above normal, and the possibility of flooding and waterlogging of newly planted fields continued. The area of rain spread northward into the wheat belt. Much of Henan, Anhui, and Jiangsu benefited from more than 25 mm of rainfall. Very little rain fell in Shandong, but much of Hebei received light rainfall of 4 to 8 mm which improved growing conditions. Normal totals for April in Hebei are on the order of 10 mm. In South Korea, rainfall decreased to somewhat below normal, but conditions should remain favorable for all crops. Temperatures averaged near normal in South Korea and in the Chinese winter grain belt, but stayed above normal in southern China.

SOUTH ASIA-- Rainfall increased sharply in Bangladesh and parts of eastern India. Reports of flooded crops came from Bangladesh, where 100 to 200 mm of rainfall occurred on fields already wet from above-normal rainfall in recent weeks. However, sufficient time remains for farmers to replant and still obtain good yields. Dry weather in northern India and Pakistan favored winter grain harvesting. Rainfall returned to parts of extreme southern India, where rainfall is normally on the increase at this time.

NORTHWESTERN AFRICA--Northeastern winter grain areas in Morocco received substantial rainfall, but most of the northern belt saw only 5 to 10 mm accumulate. This helped final stages of grain filling. Harvesting should be in progress in the south, if the meager yields warrant the effort. In Algeria and Tunisia, above-normal rainfall in most winter grain areas helped late grain filling.

CANADA--Relatively dry weather prevailed throughout the Canadian Prairies as spring planting was about to get underway. Pre-season soil moisture reserves, timely growing season rainfall, and favorable temperature patterns will be very important for crop development.

SOUTHEAST ASIA--Northern and central portions of Thailand received 10 to 50 mm of weekly rainfall while the eastern zone received only minimal amounts. This early season moisture is beneficial not only for soil moisture reserves but also for reservoirs which are used for irrigation and other purposes. Southeast Asia's planting season begins in April and May with the onset of the wet season.

SOUTH AMERICA--Dry weather in the major corn/soybean area of Argentina (Cordoba, Santa Fe, Entre Rios and northern Buenos Aires) aided harvest activities which should be in full swing again after the preceding week's rainfall. Locally heavy showers produced 25 to 100 mm of rainfall in the more northern cotton area of Formosa and Chaco, and 20 to 50 mm of rain fell in the southern wheat area of Buenos Aires. Rainfall in southern Buenos Aires provided beneficial moisture for wheat sowing which normally begins in May. In Brazil, weekly rainfall was mostly light (less than 15 mm) in most corn/soybean areas except toward coastal regions where 20 to 70 mm fell. In general, harvest activities for corn and soybeans continued unimpeded except for some localized, minor delays due to wet fields in Santa Catarina. Minimal rainfall occurred in the wheat growing area of Rio Grande do Sul. Moisture will be needed in this area for winter wheat sowing which should begin very soon.

AUSTRALIA--Timely autumn rainfall which usually increases in April and May will be important for successful crop emergence and early development as the planting season for winter wheat, barley and other autumn-seeded crop begins. Soil moisture supplies are somewhat short in many grain-producing areas, especially in northern New South Wales and west Australia, where weekly rainfall amounts were minimal. Elsewhere, dry weather prevailed in the wheat areas where land preparation for autumn sowing should have begun.

MEXICO--Moderate rains over most of the Southern Plateau corn belt improved soil moisture which will help with germination and early growth. Soils had become rather dry over the corn areas as no significant rain had fallen since February. The rain pattern also extended eastward and benefited citrus and sugar cane from Valles to Veracruz. Only light rains dotted the upper northeast, but irrigation water should generally be ample. The north central cotton areas had about 25 mm of rain which should help the young crop and reduce irrigation needs. Sunny, dry weather over the northwest favored fieldwork and possibly harvesting of some early winter wheat.

Rotterdam Prices and E.C. Import Levies:

Asking prices in U.S. dollars for imported grain and soybeans, c.i.f., Rotterdam, the Netherlands, compared with a week earlier and a year ago:

Item	April 21, 1981	Change from previous week	A year ago
	\$ per m. ton	\$ per bu.	\$ per m. ton
Wheat			
Canadian No. 1 CWRS-12.5%.....	1/	1/	1/
U.S. No. 2 DNS/NS: 14%.....	214.00	5.82	+8
U.S. No. 2 DHW/HW: 13.5%.....	212.00	5.77	+5
U.S. No. 2 S.R.W.....	200.00	5.44	-14
U.S. No. 3 H.A.D.....	235.00	6.40	-15
Canadian No. 1 A: Durum.....	1/	1/	1/
Feed grains:			
U.S. No. 3 Yellow Corn.....	168.00	4.27	+11
U.S. No. 2 Sorghum 2/.....	166.00	4.22	+5
Feed Barley 3/.....	176.00	3.83	+2
Soybeans:			
U.S. No. 2 Yellow.....	318.50	8.67	+25
Argentine 4/.....	315.00	8.57	+23
U.S. 44% Soybean Meal (M.T.)..	277.00	--	+9.00 5/
EC Import Levies			
Wheat 6/.....	76.95	2.09	-3
Barley.....	70.95	1.54	+14
Corn.....	74.70	1.90	-5
Sorghum.....	72.15	1.83	-8

1/ Not available.

2/ Optional delivery: U.S. or Argentine Granifero Sorghum.

3/ Optional delivery: U.S. or Canadian Feed Barley

4/ Optional delivery: Brazil yellow.

5/ Dollars per metric ton.

6/ Durum has a special levy.

Note: Basis May delivery.

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